

## Internal Revenue Service, Treasury

## § 1.41-2

(4) Independent research and development under the Federal Acquisition Regulations System and similar provisions.

(5) Funding determinable only in subsequent taxable year.

(6) Examples.

*§ 1.41-6 Basic research for taxable years beginning after December 31, 1985. [Reserved]*

*§ 1.41-7 Basic research for taxable years beginning before January 1, 1986*

(a) In general.

(b) Trade or business requirement.

(c) Prepaid amounts.

(1) In general.

(2) Transfers of property.

(d) Written research agreement.

(1) In general.

(2) Agreement between a corporation and a qualified organization after June 30, 1983.

(i) In general.

(ii) Transfers of property.

(3) Agreement between a qualified fund and a qualified educational organization after June 30, 1983.

(e) Exclusions.

(1) Research conducted outside the United States.

(2) Research in the social sciences or humanities.

(f) Procedure for making an election to be treated as a qualified fund.

*§ 1.41-8 Aggregation of expenditures.*

(a) Controlled group of corporations; trade or businesses under common control.

(1) In general.

(2) Definition of trade or business.

(3) Determination of common control.

(4) Examples.

(b) Minimum base period research expenses.

(c) Tax accounting periods used.

(1) In general.

(2) Special rule where timing of research is manipulated.

(d) Membership during taxable year in more than one group.

(e) Intra-group transactions.

(1) In general.

(2) In-house research expenses.

(3) Contract research expenses.

(4) Lease Payments.

(5) Payment for supplies.

*§ 1.41-9 Special rules.*

(a) Allocations.

(1) Corporation making an election under subchapter S.

(i) Pass-through, for taxable years beginning after December 31, 1982, in the case of an S corporation.

(ii) Pass-through, for taxable years beginning before January 1, 1983, in the case of a subchapter S corporation.

(2) Pass-through in the case of an estate or trust.

(3) Pass-through in the case of a partnership.

(i) In general.

(ii) Certain expenditures by joint ventures.

(4) Year in which taken into account.

(5) Credit allowed subject to limitation.

(b) Adjustments for certain acquisitions and dispositions—Meaning of terms.

(c) Special rule for pass-through of credit.

(d) Carryback and carryover of unused credits.

### § 1.41-1 Introduction to regulations under section 41.

Sections 1.41-2 through 1.41-9 deal only with certain provisions of section 41. The following table identifies the provisions of section 41 that are dealt with, and lists each with the section of the regulations in which it is covered:

Section of the regulations	Section of the Code
1.41-2 .....	41(b)(1) 41(b)(2)(A)(ii) 41(b)(2)(A)(iii) 41(b)(2)(B) 41(b)(3)
1.41-3 .....	41(c)(2) 41(f)(4)
1.41-5 .....	41(d)
1.41-7 .....	41(e)
1.41-8 .....	41(f)(1)
1.41-9 .....	41(f)(2) 41(f)(3) 41(g)

Sections 1.41-4 and 1.41-6 deal with the definition of qualified research and basic research for taxable years beginning after December 31, 1985. Section 1.41-3 also deals with the special rule in section 221(d)(2) of the Economic Recovery Tax Act of 1981 relating to taxable years overlapping the effective dates of section 41. Section 41 was formerly designated sections 30 and 44F. The regulations refer to these sections as section 41 for conformity purposes. Of course, whether section 41, 30 or 44F applies to a particular expenditure depends upon when the expenditure was paid or incurred.

### § 1.41-2 Qualified Research Expenses.

(a) *Trade or business requirement—(1) In general.* An in-house research expense of the taxpayer or a contract research expense of the taxpayer is a qualified research expense only if the